

EXECUTIVE CHAMBERS

HONOLULU

April 27, 2007

STATEMENT OF OBJECTIONS TO HOUSE BILL NO. 10

Honorable Members  
Twenty-Fourth Legislature  
State of Hawaii

Pursuant to Section 16 of Article III of the Constitution of the State of Hawaii, I am returning herewith, without my approval, House Bill No. 10.

This bill would mandate that pharmaceutical companies, which voluntarily participate in the Hawaii Rx Plus program, provide rebates in addition to the discounted prescription prices that the manufacturers already provide to enrollees in the Hawaii Rx Plus program. It also requires the Department of Human Services to disclose information on drug manufacturing costs.

This bill is objectionable because its enactment will likely cause voluntary participation in the Hawaii Rx Plus program by prescription drug manufacturers to end. Approximately 112,000 Hawaii residents participate in the Hawaii Rx Plus program. Low-income uninsured and underinsured residents who are enrolled in the Hawaii Rx Plus program and need prescription medications would be hurt by enactment of this legislation.

Second, this bill sets no mandatory level for the rebate. Thus, firms could make token offers and still be in compliance. Nor does the bill seem to recognize that the major reason why the rebates have not been successful is the limited volume of prescriptions written on a monthly basis under Hawaii Rx Plus.

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Finally, the bill does not recognize the role the federal Centers for Medicare and Medicaid Services play in securing rebates for government-approved drug programs. Without the Centers for Medicare and Medicaid Services' approval, the Department of Human Services does not have the ability to impose a meaningful penalty on the prescription drug manufacturers that do not provide rebates.

My Administration supports the requirement of rebates from drug manufacturers but believes the rebates must be implemented in an appropriate and effective manner. My office proposed House Bill No. 1359, which is currently being considered in conference committee. This bill consolidates the current Medicare Part D State Pharmacy Assistance program and the Hawaii Rx Plus program under a single comprehensive Hawaii State Pharmacy Assistance Program. Once the Department obtains approval from the Centers for Medicare and Medicaid Services as a federally qualified state pharmaceutical assistance program, prescriptions purchased by Hawaii Rx Plus program enrollees will qualify for the same mandatory and supplemental rebates received by the Medicaid program. In addition, the market size of this consolidated program would be larger by the integration of the Hawaii Rx program into the State Pharmacy Assistance Program.

Should the Legislature send me a bill that incorporates a comprehensive approach such as that embodied in House Bill No. 1359, ensuring that the State has appropriate authority to secure pharmaceutical rebates and which will not discourage manufacturer participation in the Hawaii Rx Plus program, then I would be able to sign that measure.

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For the foregoing reasons, I am returning House Bill  
No. 10 without my approval.

Respectfully,

A handwritten signature in black ink, appearing to read "Linda Lingle", written in a cursive style.

LINDA LINGLE

Governor of Hawaii